

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

SECTION 172 (1) OF THE COMPANIES ACT 2006 (THE "ACT") STATEMENT

The Wates Corporate Governance Principles for Large Private Companies serves as the framework to demonstrate how Directors have had regard for the matters set out in section 172(1)(a) to (f) of the Act when performing their duties, including how Directors have engaged with and considered the interests of stakeholders including UK employees, suppliers, customers and those in a principal business relationship with the Company. Reporting against the Wates Principles is included in the Corporate Governance Statement below.

Corporate Governance Statement

For the year ended 31 December 2020, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies which can be found at [www.wates.co.uk/who we are/corporate governance](http://www.wates.co.uk/who-we-are/corporate-governance). The Directors have set out below an explanation of how the Wates Principles have been applied during the 2020 year.

Principle 1 – Purpose and leadership

“An effective board develops and promotes the purpose of the Company, and ensures that its values, strategy and culture align with that purpose.”

The Company, which is part of the global Mercer business and the Marsh & McLennan Companies Inc. (MMC) Group (the Group), aims to build brighter futures by redefining the world of work, reshaping retirement and investment outcomes and unlocking real health and wellbeing for its clients. By combining economics with empathy, the Company’s ultimate purpose is to make a difference to people’s lives.

The key strategic focus of the Board during 2020 was to provide oversight, challenge and support to the Executives as they led the Company in navigating the impact of, and response to, the Covid-19 pandemic. This included the deployment of the Company’s operational resiliency plans and the mobilisation of Company-wide remote working at the start of the pandemic and the adaption of business plans, strategies and budgets to meet client, colleague and business requirements as the pandemic continued to evolve. The Board has sought to ensure that the Company’s responsive measures not only address requirements in the short term, but where appropriate, are also aimed at providing better outcomes for clients and colleagues in the long term and ultimately promote the purpose of the Company. A further statement on the impact of the Covid-19 pandemic on the Company has been included on page 18 of the Directors' Report.

In 2020, the Board also continued to oversee the integration of the business of the legacy JLT EB Subsidiaries into the Company resulting in the creation of a single larger combined firm.

All colleagues, including the Company’s Directors, reaffirmed their commitment to the Group’s refreshed Code of Conduct, The Greater Good, during 2020. The Greater Good is the touchstone of the culture and values that unites colleagues within Company, and within the wider Group. As part of the roll out of the Greater Good, colleagues gathered as teams to speak about how Company and the Group’s values are upheld, and make a difference in the moments that matter most.

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Principle 2 – Composition

“Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the Company.”

On 19 October 2020, the Board approved the appointment a new Non Executive Chairman, following the resignation of the previous Non Executive Chairman, who stepped down after 9 years as a Director on the Board. This appointment became effective on 5 January 2021 following regulatory approval. The new Chairman has also been appointed as Chairman of the Risk and Nominations Committees of the Board.

In addition to the appointment of a new Chairman, on 19 October 2020 the Board also appointed a new independent Non Executive Director, to replace an outgoing Non Executive Director. The new independent Non Executive Director has also been appointed as Chairman of the Board’s Audit Committee (subject to regulatory approval).

The new appointments to the Company’s Board follow a review of the Board’s composition undertaken in 2019/2020 aimed at assessing the Directors’ mix of skills, backgrounds, diversity and independence in order to identify actions or changes required to ensure that Board composition was suitable to meet the requirements of the Company in future.

The Company values the contribution brought by independent Non Executive Directors, particularly their contributions to the formulation of strategy, independent and objective judgment to Board deliberations, and constructive challenge of executive management in the areas of remuneration, risk, audit and internal controls. The Board is particularly pleased to have welcomed new members with experience in areas of the Company’s business of strategic importance, which present significant growth opportunities for the future.

The Board followed a formal, rigorous and transparent process for the appointment of the Company’s new Chairman and Non Executive Director. The Board’s Nominations Committee, which was responsible for overseeing the recruitment process for the new Directors, engaged an external agency to assist in sourcing a diverse slate of candidates, with a range of different backgrounds, skills and experience relevant to the needs of the Company, for consideration. Representatives from the Company’s ultimate shareholder also met with potential candidates and provided feedback to the Nominations Committee on each, prior to recommendations for appointments being made to the Board.

Following the above changes, the Board comprises a Non Executive Chairman who was independent upon appointment, two independent Non Executive Directors, Chief Executive Officer, Chief Financial Officer, and an additional Executive Director, Mercer’s Global Chief Commercial Officer. The Board has maintained its gender balance, with an equal number of male and female Directors, and there is now one racially and ethnically diverse member on the Board.

During 2020, existing and outgoing Non-Executive Directors met with senior management to ensure their knowledge of and familiarity with the Company was kept updated. The Directors attended a number of training courses and seminars facilitated by the Company’s Compliance Function, which were relevant to their duties as Directors of a regulated firm. The new Chairman and Non Executive Director were provided with a comprehensive induction programme, designed to facilitate a holistic understanding of the Company’s business and functions, governance framework and Group environment.

At the end of 2020, the Chairman requested feedback from all Directors on ways to improve Board and Committee effectiveness going forward and more specifically, to ensure that the Board is able to dedicate sufficient time to the discussion and development of the Company’s purpose, strategy and growth initiatives. With this in mind, the Chairman is working with the Company Secretariat to refresh the Board and Committee agendas in 2021.

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Principle 3 – Responsibilities

“The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision making and independent challenge.”

The Company has an established governance framework, including documented terms of reference for the Board, Committees and the Executive Leadership Team. This framework aligns to, and operates within the Group’s global framework of operating rules, policies and delegations of authority.

The Board and Committee terms of reference, which are kept under continuous review, clearly set out the Board’s overall leadership responsibility and matters reserved for its consideration and approval, whilst delegating to the CEO and the Executive Leadership Team, the day to day running of the operations of the Company.

The Board and Committees operate a programme of four scheduled meetings a year, with ad hoc meetings held as and when required.

In accordance with regulatory requirements applicable to the Company, all Directors, members of the UK Executive Leadership Team and the most senior managers within the Company’s business and functional support departments have clearly documented statements of responsibility for the matters under their remit. These statements of responsibility are collated into a “responsibility map” which is reviewed by the Board on at least an annual basis, and which provides the Board with a clear view of individual responsibilities and accountabilities across the firm.

The Board utilises its Committees to assist it in providing oversight, challenge and guidance to the Executive in the areas of Risk, Audit and Remuneration. All Committees are chaired by Non Executive Directors and Committee membership is comprised of a majority of Non Executive Directors. Committee Chairs are responsible for escalating and advising the Board on matters within their remit on a quarterly basis, or more frequently if required.

The Board and Committees consider quarterly reports on business and financial performance, key strategic risks and opportunities, operational matters, market conditions, human resources, legal, compliance, audit and regulatory matters.

Reports on the Company’s financial position are prepared by the Group’s centralised controllership function and are externally audited by Deloitte LLP on an annual basis. The Audit Committee receives quarterly reports from the Company’s Financial Controllershship, Risk and Compliance and Internal Audit functions which include information on financial and business control related findings, and actions taken by executive management to address or remediate findings as required.

The Chairman of the Audit Committee, who is responsible for overseeing the effectiveness of the Internal Audit and Compliance Function, frequently meets separately (outside of the Committee’s formal meeting programme) with the Company’s Financial Controller, Chief Risk and Compliance Officer, Internal Audit Representatives and External Auditors to discuss items under their remit.

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Principle 4 - Opportunity and Risk

“The Board should promote the long term sustainable success of the Company by identifying opportunities to create and preserve value, and establish oversight for identification and mitigation of risks.”

In 2020, the Board met with members of the UK Leadership Team to review and discuss business strategy and plans for each line of business, including a consideration of short and longer term strategic opportunities for the Company. At each quarterly meeting of the Board, the CEO reported on progress of short and medium-term initiatives to improve business performance and achieve operational efficiencies.

The Company has an Enterprise Risk Management (“ERM”) Framework, which is kept under review by the Risk Committee and recommended to the Board for approval from time to time. The purpose of the ERM is to identify, assess, manage and monitor risks. During 2020, as part of integration efforts, a comprehensive review of the ERM was initiated in order to ensure that it covered risks across the Company following the integration of the business of legacy JLT EB Subsidiaries. Under the oversight of the Risk Committee, work to refine the Company’s ERM remains ongoing, with specific efforts focused on ensuring that the Company’s strategic business and emerging risks are adequately provided for.

The Company has in place a team dedicated to Risk Management which works closely with the business, providing guidance and support to key risk owners within the Company’s business and support functions. Key risk owners within the business attend Risk Committee meetings to provide updates on key strategic and emerging risks within their remit.

The Risk Committee keeps under review, and makes recommendations to the Board on the Company’s risk appetite, tolerance and strategy on an annual basis or more frequently if required. The Risk Committee also sets the standard for ensuring the accurate and timely monitoring of large exposures and certain risk types of critical importance (such as integration risks related to the legacy JLT EB Subsidiaries, the Covid-19 pandemic and Brexit) and ensures that these are escalated to the Board as appropriate, including any breach to risk appetite/tolerance.

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Principle 5 - Remuneration

A Board should promote executive remuneration structures aligned to the long term sustainable success of a company, taking into account pay and conditions elsewhere in the Company.”

As in previous years, the Company’s Remuneration Policy and compensation practices were kept under review by the Remuneration Committee throughout 2020, with a view to ensuring that they were consistent, and promoted effective risk management and were aligned to the Company’s business strategy, values and long term objectives. In November 2020, the Board approved the Company’s Remuneration Policy, upon the recommendation of the Remuneration Committee.

The Remuneration Committee reviewed the remuneration packages of all executive directors, and certain senior managers within the Company for 2020, with a view to ensuring that executive performance was remunerated not only on financial performance, but also on qualitative measures aimed at preserving the legal, regulatory and reputational health of the Company.

The Committee also reviewed and challenged management on high level remuneration and performance data for all colleagues during the Company’s annual compensation process, with a view to ensuring that remuneration proposals for the workforce as a whole were balanced, proportionate and aligned with the Company’s diversity and inclusion aspirations.

The Board is committed to improving the Company’s Gender Pay Gap. The Company’s latest Gender Pay Gap Report, which was reviewed by the Board prior to publication is available at www.uk.mercer.com/content/dam/mercer/attachments/europe/uk/uk-2021-mercer-gender-pay-gap-report-2020.pdf

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Principle 6 – Stakeholder Relationships and Engagement

“Directors should foster effective stakeholder relationships aligned to the Company’s purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.”

The Board has clearly outlined in its terms of reference that its purpose is to generate value for its shareholder and to ensure the sound and prudent management of the firm, with due regard for the interests of the Company’s other stakeholders, including clients, employees, suppliers and the wider community.

Shareholder

As a wholly owned subsidiary, the Board duly considers the views of its ultimate shareholder, MMC, and the interests of the Group as a whole as part of any major decisions and transactions undertaken by the Company. The Company’s Executive Directors provide the primary channel of communication between the Company, MMC and the Group.

Distributions to the Company’s shareholder are only considered after a full assessment of capital adequacy and the Company’s ability to continue as a going concern into the foreseeable future and to ensure investment in the future growth of the Company, balanced with stable and sustainable returns to the shareholder. Further information on dividends is set out in the Notes to the Financial Statements on page 42. The Company’s dividend policy is currently under review with a view to align with revisions being made to the Company’s ERM, risk appetite and tolerance in 2021.

In 2020, the Board took into account the Group’s ultimate objectives underpinning the acquisition of the legacy JLT plc Group, namely growth in talent, capabilities, revenue and earnings, as it considered and approved the JLT EB Acquisition and oversaw the continued business integration of the legacy JLT EB Subsidiaries.

Suppliers

The Company reports on its supplier payment practices on a bi annual basis, and results are monitored by the Audit Committee. The Company’s latest results can be found at <https://check-payment-practices.service.gov.uk/report/40452>

Whilst some improvement has been noted, the Board acknowledges that further efforts to improve the Company’s payment practices are required in order to meet the criteria to sign up to the UK Prompt Payment Code, which is voluntary and is a statement of good performance.

All suppliers are required to comply with modern slavery legislation under the standard terms and conditions of the Company’s contracting agreements and MMC Global Sourcing and Procurement (“GSP”) in the UK issue an annual modern slavery supplier questionnaire to certain suppliers (selected on a risk based approach) to assess potential exposure to risk of non-compliance. The Board is committed to ensuring that slavery and human trafficking is not taking place in any of the Company’s supply chains. Further detail on actions taken by the Company in compliance with the Modern Slavery Act 2015 is set out on page 16 of the Directors Report

Clients

The Company is committed to ensuring that all clients are treated fairly, that positive client outcomes are achieved and that client interest is considered as part of decision making at every level within the Company, including decisions to launch any new product or service.

The CEO and Executive Leadership Team meet with key clients and monitor client experience management (CEM) exercises conducted by the business during the year.

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Principle 6 – Stakeholder Relationships and Engagement (continued)

Clients (continued)

To ensure the business continued to gather timely and continuous feedback from clients during 2020, client meetings were held virtually and new digital client feedback tools were implemented. The number of CEM exercises carried out was also increased.

The Audit Committee reviews the effectiveness of key business processes and controls to ensure high levels of service and positive client outcomes, whilst the Risk Committee monitors key risk indicators in this regard, including employee induction and training completed, error and omission and complaints data and trends, actions taken to areas of concern and time to resolution. High level reporting and items of significant concern are reported to the Board on a quarterly basis or more frequently if required.

As part of the JLT EB Acquisition, following confirmation client consent, the vast majority of client contracts of the legacy JLT EB Subsidiaries were novated to the Company.

Employees

As a professional services firm, employees are at the heart of the Company's business and throughout 2020 the Board and the Executive Leadership Team have prioritised the health, wellbeing and safety of employees and their families. In line with Government advice, the vast majority of employees were instructed and equipped to work from home and, where this was not possible for a very small number of colleagues performing business critical roles, the Company employed strict social distancing and other appropriate health and safety measures in its offices. A further statement on Health, Safety and Environment is set out below on page 13 of the Strategic Report.

The Directors recognise that the Covid 19 pandemic has had a significant impact, not only on employees' work environment but also on their personal lives. With this in mind, the CEO and Executive Leadership Team increased engagement through regular emails, the launch of various digital tools and platforms designed to keep teams connected, as well as launching a number of employee wellbeing initiatives in efforts to ensure that colleagues were well supported during the pandemic. Regular engagement surveys are also carried out to obtain employee feedback which is taken into consideration in the formulation of the Company's future business plans and strategy.

Throughout 2020, the Company had in place the Mercer Employee Representatives (the "MER") which comprises elected representatives from across all offices and lines of business and includes former employees of the legacy JLT EB Subsidiaries. The chair of the MER is elected from within the employee representatives. The MER meets at least monthly and is engaged to provide feedback to the Executive Leadership Team on policy amendments, proposals for changes to benefits and to support colleagues when structure changes are proposed.

During 2020, the Board and UK Executive Leadership Team refreshed the Company's diversity and inclusion strategy and have committed to achieve a 45% female population in senior employment grades by 2025 with a view to achieving 50% by 2030. Every line of business has committed to ensuring that a diverse slate of candidates are considered for every role they fill, with the objective of aiming to recruit an equal number of male and female colleagues. The Board and Executive Leadership Team have similar ethnically and racially diverse (E&RD) mandates that aim to increase representation of all E&RD colleagues to 15% by 2025.

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Principle 6 – Stakeholder Relationships and Engagement (continued)

Community

The Company and the Group as a whole, recognises that in a world facing increasing risk and uncertainty, supporting our communities is more important than ever before. Given the Group's expertise in risk, strategy and people, social impact efforts are focused on building resilient communities through mentoring and disaster response & rebuilding. By aligning its social impact programmes with the business priorities and experience, the Group is able to demonstrate its commitment to its communities in the UK while supporting the business.

In 2020, the Group partnered with select strategic global non profit organisations including the Cherie Blair Foundation for Women, Junior Achievement, Missing Maps and the British Red Cross. Covid 19 significantly impacted fundraising for the Group's social impact programmes, with in person events suspended. In order to mitigate the impact of the pandemic on social impact efforts, virtual fundraising campaigns and events were held during the year.

The Group recognises the opportunities, as well as its obligation, of being a good steward of the environment and is committed to the principle of responsible capitalism. The Group has developed climate initiatives which represent a tangible step toward building a more sustainable environment for colleagues, clients, shareholders and future generations. More information on the initiatives may be found in the Streamline Energy and Carbon Report on page 16.